

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

REVIEW REPORT  
OF  
INDIANA STATE LIBRARY

March 1, 2005 to March 31, 2007



**FILED**  
08/02/2007



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#### AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
State Librarian	Barbara Maxwell Roberta Brooker (Interim) Roberta Brooker	04-02-03 to 12-17-05 12-18-05 to 05-31-07 06-01-07 to 06-30-08
President of the Board	Thomas Hamm	07-01-99 to 10-12-07



# STATE OF INDIANA

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## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE LIBRARY

We have reviewed the receipts, disbursements, and assets of the Indiana State Library for the period of March 1, 2005 to March 31, 2007. The Indiana State Library's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana State Library are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

April 19, 2007

INDIANA STATE LIBRARY  
REVIEW COMMENTS  
March 31, 2007

FIXED ASSET INVENTORY

As stated in our prior Report B25212, an annual physical inventory of assets owned has not been conducted and assets have not been consistently tagged upon receipt. Specifically, 85 computers shipped during September 2006 were in a secured storeroom as of April 2007 and have not been put into use. The State Library is currently in the process of unpackaging and tagging the computers for use.

Once a year a physical inventory is to be taken and compared to the master listing and the agency's listing of assets from their asset control system. The physical inventory helps ensure the asset inventory is accurate and that assets have not left the agency without authorization. It also helps identify unused or obsolete assets. Evidence that a physical inventory was taken is to be maintained. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

Assets at the minimum level of \$500 must be tagged. Assets should be tagged upon receipt. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

SPECIAL DISBURSING OFFICER FUNDS

Bank Reconciliations and Advance Reconciliations

The Indiana State Library has two Special Disbursing Officer (SDO) advance funds, \$50,000 and \$6,500. Bank reconciliations were not performed timely for either account during the review period.

Additionally, reconciliations of the ledger to the SDO advance have not been performed for the \$50,000 SDO account since August 2005. At this time, the ledger for this account does not reconcile to \$50,000. Staff members are currently attempting to identify the discrepancy.

Two reconciliations for the SDO fund must be performed each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register balance must be reconciled to the SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance, must equal the local purchase advance. If the reconciled SDO advance is less than the amount originally advanced, then the SDO officer may be personally responsible for the amount needed to balance the advance. This reconciliation of the SDO advance must be formally documented at least monthly. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

SDO Advances Turnover

As stated in the prior Report B25212, the \$50,000 SDO advance was not turned over, or reimbursed completely, for several months. Additionally, during the current review period this same condition was also found for the \$6,500 SDO account.

Management expressed the intention to significantly reduce both advances due to the agency's transition to Encompass. Many claims previously processed through the SDO accounts are now paid through the Auditor of State's claim voucher process.

INDIANA STATE LIBRARY  
REVIEW COMMENTS  
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(Continued)

Whenever a SDO fund is established, money is removed from a Treasurer of State bank account and thus is not being invested. Therefore, consideration should be given to the size of the SDO fund. If you are not using your total SDO advance within one or two months then your SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

Outstanding Checks

As stated in the prior Report B25212, the \$50,000 SDO account had seven checks which have been outstanding for two or more years as of December 31, 2004. In the current review period, the same seven checks plus two additional checks have been outstanding for two or more years as of December 31, 2006.

Indiana Code 4-10-10-1 provides that all checks authorized by law to be issued from funds in the custody of any state agency which have been outstanding and unpaid for a period of two or more years as of the last day of December of each year shall be declared canceled.

It is our audit position that once declared canceled; these checks shall be entered as a miscellaneous receipt into the fund or account from which they were originally drawn and be removed from the record of outstanding checks.

DIVISION REVENUE

The Indiana State Library uses an internally created Access database program to create invoices, track invoices, and enter payments for services provided to patrons by various divisions. During 2006, an employee inadvertently deleted all invoices, except for those for the Indiana division, which had been entered in the system since its creation in 2001. The data in the program had not been backed up. Accounting staff immediately began backing up the system on a daily basis. As money came in, staff attempted to repopulate the invoices in the program. Due to the uncertainty regarding which invoices are missing and the invoice status as of the date the records were deleted, there is a risk that there are outstanding invoices not identified on the database. Of the invoices identified in the system, there are also several identified as outstanding which need to be pursued in a timely manner.

In addition, several staff members, including the employees of various divisions, have access to the database which is kept on a shared drive. Any of those staff members has the capability to change the database. Failure to limit staff access to certain capabilities, such as entering payments or creating invoices, is an internal control risk. Also, one clerk opens the mail, processes payments, applies payments to invoices, prepares the deposit, and makes the deposit. This lack of segregation of duties is also an internal control risk.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. An agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

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(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

The duties of collecting monies, processing the receipt, license, permit, etc., preparing and making deposits, and performing reconciliations should be segregated to the fullest extent possible considering the size of the agency and the materiality of collections. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)



INDIANA STATE LIBRARY  
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2007, with Roberta Brooker, State Librarian; and Deborah Barnhart, Chief Financial Officer. The officials concurred with our findings.